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REPORT BY THE

Comptroller General

OF THE UNITED STATES

Audit Of The House Of Representatives Beauty Shop For The Calendar Year 1979



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-199033

The Honorable Frank Thompson, Jr.
Chairman, Committee on House
Administration
House of Representatives

Dear Mr. Chairman:

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in accordance with the November 28, 1979, request from the Honorable Ed Jones, Chairman, Subcommittee on Services, we audited the financial transactions of the House Beauty Shop for the calendar year 1979.

GENERAL COMMENTS

The House Beauty Shop provides a convenient beauty facility for congresswomen, wives of congressmen, congressional employees, and the general public. During calendar year 1979, approximately 27,871 customers had hairdressing, manicuring, or other beauty services performed at the shop.

Effective January 3, 1978, the staff of the House Beauty Shop was transferred to the House payroll, and the shop was placed under the jurisdiction of the Committee on House Administration, with direct oversight to be exercised by the Subcommittee on Services (H. Res. 315, 95th Cong.). During calendar year 1979, 25 employees were on the House payroll. At December 31, 1979, eight beauticians, two manicurists, one supervisor, and the manager were employed full-time; six beauticians and two maids were employed part-time. One electrolysis was employed on a contract basis.

RESULTS OF OPERATIONS

The House Beauty Shop realized net income of \$9,204 for 1979 compared with net income of \$8,404 for 1978. The Legislative Branch Appropriation Act, 1970, requires that

income, as established by our annual audit, after restoring any impairment of capital and providing for replacement of equipment, be transferred to the general fund of the U.S. Treasury. We computed the net income to be transferred for calendar year 1979 as follows:

Equity of the House of Representatives as of December 31, 1979		\$48,448.07
Capital authorized pursuant to H. Res. 1000, 90th Congress	\$15,000.00	
Provision for replacement of equipment	29,241.38	
Prior year income transferred in March 1980	<u>1,582.05</u>	<u>45,823.43</u>
Net income to be transferred		<u>\$ 2,624.64</u>

Prior years' net income transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund has totaled \$48,091.

SCOPE OF AUDIT

We reviewed the House Beauty Shop's accounting records and financial transactions in accordance with the Comptroller General's standards for financial and compliance audits. We included such tests of the accounting records and such auditing procedures as we considered necessary in the circumstances.

OPINION ON FINANCIAL STATEMENTS

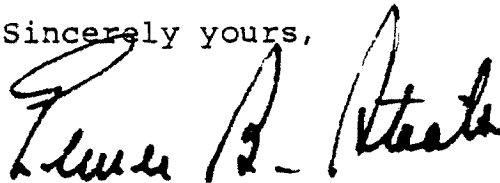
We prepared the financial statements for the House Beauty Shop from the accounting records furnished us. We adjusted these records, which were maintained on a cash basis, to present the financial position and results of operations on an accrual basis. The statements do not include the costs of certain benefits and services--such as space, utilities, and ordinary building repairs and maintenance, which are paid from appropriated funds and not charged to the Revolving Fund.

In our opinion, the accompanying financial statements (schs. 1, 2, and 3), prepared on the basis of the financial arrangements described above, present fairly the financial position of the House Beauty Shop Revolving Fund at December 31, 1979, and 1978, the results of its operations, and the changes in its financial position for the years then ended on a basis consistent with that of preceding years.

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As required by the Legislative Branch Appropriation Act, 1970, we are sending copies of this report to the Speaker of the House of Representatives and to the Clerk of the House of Representatives.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Luther B. Steele". The signature is fluid and cursive, with the first name "Luther" being the most prominent.

Comptroller General
of the United States

HOUSE BEAUTY SHOPCOMPARATIVE BALANCE SHEETDECEMBER 31, 1979 AND 1978

ASSETS	<u>1979</u>	<u>1978</u>
CURRENT ASSETS:		
Cash in U.S. Treasury	\$44,936	\$42,298
Deposits in transit	1,581	2,124
Petty cash and change funds	700	700
Accounts receivable	411	1,691
Inventory of merchandise and supplies (note a)	<u>18,821</u>	<u>11,296</u>
Total current assets	<u>66,449</u>	<u>58,109</u>
FIXED ASSETS:		
Equipment (note b)	18,480	18,480
Less: Accumulated depreciation	<u>17,241</u>	<u>16,662</u>
Total fixed assets	<u>1,239</u>	<u>1,818</u>
TOTAL ASSETS	<u>\$67,688</u>	<u>\$59,927</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,786	\$ 4,732
Salaries, commissions, and benefits payable	10,892	12,812
Employees' accrued leave	<u>5,562</u>	<u>3,139</u>
Total current liabilities	<u>19,240</u>	<u>20,683</u>
EQUITY OF THE HOUSE OF REPRESENTATIVES:		
Balance at beginning of year	39,244	39,151
Less: Amount transferred to U.S. Treasury	<u>-</u>	<u>8,311</u>
Balance	39,244	30,840
Add: Net income for the year	<u>9,204</u>	<u>8,404</u>
Balance at end of year (note c)	<u>48,448</u>	<u>39,244</u>
TOTAL LIABILITIES AND EQUITY	<u>\$67,688</u>	<u>\$59,927</u>

GAO note: The accompanying notes on page 4 are an integral part of this statement.

Our opinion on this statement appears on page 2 of the letter.

HOUSE BEAUTY SHOPCOMPARATIVE STATEMENT OF OPERATIONSFOR CALENDAR YEARS 1979 AND 1978

	<u>1979</u>	<u>1978</u>
INCOME:		
Beauty services	\$296,977	\$284,148
Retail sales	\$47,011	\$41,161
Less: Cost of retail sales	<u>28,409</u>	<u>28,188</u>
Miscellaneous income	<u>18,602</u>	<u>12,973</u>
	<u>299</u>	<u>424</u>
Total operating income	<u>315,878</u>	<u>297,545</u>
OPERATING EXPENSES: (note d)		
Salaries:		
Manager	25,568	22,585
Asst. Manager	4,706	10,605
Beauticians	118,159	117,388
Manicurists	22,030	21,099
Supervisor/receptionist	10,796	9,560
Maids	13,484	11,574
Electrolysis	<u>1,627</u>	<u>1,334</u>
Total salaries	196,370	194,145
Commissions (beauticians and retail sales)	59,811	45,896
Employees' benefits-Government contributions	24,281	22,080
Supplies	21,380	21,308
Office	2,252	2,436
Payroll taxes	-	799
Laundry	777	448
Depreciation	579	822
Bad debts	284	-
Repairs	119	742
Telephone	190	367
Training	608	67
Miscellaneous	<u>23</u>	<u>31</u>
Total operating expenses	<u>306,674</u>	<u>289,141</u>
NET INCOME FOR THE YEAR	<u>\$ 9,204</u>	<u>\$ 8,404</u>

GAO note: The accompanying notes on page 4 are an integral part of this statement.

Our opinion on this statement appears on page 2 of the letter.

HOUSE BEAUTY SHOP
COMPARATIVE STATEMENT OF CHANGES
IN FINANCIAL POSITION
CALENDAR YEARS 1979 AND 1978

	<u>1979</u>	<u>1978</u>
FUNDS PROVIDED:		
Sales	\$343,988	\$325,309
Miscellaneous income	<u>299</u>	<u>424</u>
Total funds provided	<u>\$344,287</u>	<u>\$325,733</u>
FUNDS APPLIED:		
Operating expenses (excluding depreciation and other items not requiring an outlay of funds)	\$306,095	\$288,319
Cost of retail sales	28,409	28,188
Amount transferred to U.S. Treasury	-	8,311
Increase in working capital	<u>9,783</u>	<u>915</u>
Total funds applied	<u>\$344,287</u>	<u>\$325,733</u>

Analysis of Changes in Working Capital

	<u>1979</u>	<u>1978</u>
	<u>Increase or (decrease)</u>	
WORKING CAPITAL CHANGES:		
Cash and deposits in transit	\$ 2,095	\$ 14,875
Accounts receivable	(1,280)	1,207
Prepaid expenses	-	(54)
Inventories	7,525	(493)
Salaries, commissions, and benefits payable	1,920	(678)
Accounts payable	1,946	(12,812)
Employees' Federal and State taxes withheld	-	2,009
Employees' accrued leave	<u>(2,423)</u>	<u>(3,139)</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 9,783</u>	<u>\$ 915</u>

GAO note: The accompanying notes on page 4 are an integral part of this statement.

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HOUSE BEAUTY SHOP
NOTES TO FINANCIAL STATEMENTS
CALENDAR YEAR 1979

a/Inventories are stated at cost, using the first-in, first-out method of valuation.

b/Equipment is depreciated over a 10-year life using the straight-line method.

c/As explained on page 2 of the letter, \$2,624.64 is to be transferred to the U.S. Treasury, and \$29,241.28 is segregated as restricted equity for future replacement of equipment. The amount transferred for 1978 was \$1,582.05.

d/Operating expenses do not include the costs of certain benefits and services--such as space, utilities, and ordinary building repairs and maintenance--that are furnished to the House Beauty Shop without charge.

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